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## ABSTRACT

This study describes the gradual adaptation of the methods of financing education to the objectives of development policy in Yugoslavia. The first chapter deals with the development of Yugoslav education and its financing in the context of economic growth during the period 1950-1966. The second chapter describes and analyzes the present Yugoslav educational finance system (which was adopted in 1972) with particular attention to the sources of finance and their distribution to and within educational establishments, as well as methods of redistribution in order to assist less-developed regions. The third chapter gives a tentative qualitative and quantitative appraisal of the present educational finance system, and the conclusion discusses the future development of this system. (Author/JG)

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IIEP research report:

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## FINANCING OF EDUCATION IN YUGOSLAVIA

Stevan Bezdanov

Financing of educational systems:  
specific case studies - 9

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FOR EDUCATIONAL PLANNING  
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AIMS AND METHODOLOGY OF  
THE IIEP RESEARCH PROJECT ON  
FINANCING EDUCATIONAL SYSTEMS

This research project, launched by the International Institute for Educational Planning early in 1970, originated in an enquiry as to the real possibility of the developing countries financing their educational objectives in the course of the United Nations Second Development Decade, bearing in mind the high level of expenditure that has already been reached in most cases, the constant rise in unit costs, and the increasing competition within the state budgets themselves that education will probably encounter in the future from the financing of productive investments, debt servicing, and other predictable expenditures.

Viewed in this light, therefore, the research is not strictly limited to the study of financing techniques, but has wider aims :

(1) To explore the real weight of probable financial constraints on the development of educational systems up to 1980.

(2) To study the various financing methods likely to augment resources, and to define a strategy of educational financing more closely adapted to social and economic realities.

(3) To analyse certain alternative solutions (new structures, new technologies, etc.) capable, by reducing costs or improving the efficiency of the teaching process, of leading to a better balance between educational targets and the resources available for them.

In addition to these extremely concrete objectives, concerned with the real problems facing educational planners in all countries, the collation of the essential data should provide the basis for the answers to more theoretical questions, affecting, for example, the type of correlation between educational expenditure and the level of development, between the level of expenditure and the method of financing, between the level of unit costs and the development of the educational system, etc.

With these aims in mind, two types of study are being undertaken:

1. National case studies for the retrospective (1961-70) and prospective (1980 or beyond) analysis of the expenditure, financing and costs of educational systems in the widest and most representative possible sample of countries - at least fifteen; these studies should, as already stated, reveal both the magnitude and the nature of the financial constraints to be expected in the general framework of the development of the economy and of the finances of the state, and the level and various alternative forms for the possible development of educational systems. These studies will thus cover the whole field of educational financing, costs, and policies in each country concerned.
2. Specific case studies covering, first, the different possible methods of financing (centralised, decentralised, public, private, etc.) and, especially, original ways of raising supplementary resources, and, secondly, the study of new educational solutions calculated to reduce costs.

These studies are being carried out in Member States by the IIEP in close collaboration with national specialists, either from government departments or from universities; in many cases the research is a concerted effort by the IIEP and the country concerned, for the common benefit of both parties and of the international community as a whole.

This project will culminate in a synthesis report summing up the findings relating to all the problems posed. The studies themselves are being published as single monographs in the collection Financing educational systems, comprising two series, one of country case studies and one of specific case studies.

The financial outlay for the implementation of this ambitious project could not be provided from Unesco's basic grant to the Institute. The IIEP is deeply grateful to the Member States and various organizations who, by their voluntary contributions, have enabled it to launch and pursue this research: in particular to SIDA (Swedish International Development

Authority), NORAD (Norwegian Agency for International Development), DANIDA (Danish International Development Agency), CIDA (Canadian International Development Agency), the Republic of Ireland, and the Ford Foundation. The Institute is also deeply indebted to the Member States and national specialists in various parts of the world who have agreed to co-operate with the IIEP in carrying out these studies. The publication by the IIEP of certain studies by outside consultants does not necessarily imply, however, the Institute's agreement with all the opinions expressed in them.

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## INTRODUCTION

One of the characteristic features of Yugoslav society is the tendency to give the individual citizen more power to make decisions on his own development and the development of society of which he is a part. The practical manifestation of this philosophy is self-management, a system by which the citizens themselves decide the conditions and results of their work.

In practice, self-management in an enterprise, such as a factory, an agricultural combine or any other establishment in the public sector, means that the workers, through the medium of duly elected bodies, organize production and work, decide to what use resources are put, and distribute the product resulting from these activities.

The growth and success of this system in the economic sector subsequently led to its introduction into social sectors, such as education, public health, scientific institutions etc. Thus advisory and management committees were set up in schools, hospitals, libraries etc., composed of members of the staff and, in certain cases, of representatives from other fields, such as scientific and cultural institutions or public departments. A special effort was made in the field of education in view of the important role it plays in economic and social development, and great importance attaches therefore to the methods of financing education within the framework of the self-management system.

The present study describes the gradual adaptation of the methods of financing education to the objectives of development policy. It is divided into three chapters. The first deals with the development of education and its financing in the context of economic growth during the period 1950-1966. The second describes and analyzes the present financing system, in particular, the sources of finance and their distribution to and within the educational establishments, and the methods of redistribution with a view to assisting less-developed regions. The third chapter gives a tentative appraisal, qualitative and quantitative, of the present financing system, while the conclusion looks to the future development of this system.

I. ECONOMIC GROWTH AND EDUCATIONAL DEVELOPMENT  
AND ITS FINANCING FROM 1950 TO 1956

1. Economic growth of Yugoslavia since 1950

During the last twenty years, the salient feature of the economy has been its particularly rapid growth, with national income rising at an average yearly rate of 7 per cent in constant prices. This is a remarkable performance when compared to that of other countries, or to that of Yugoslavia itself between the two wars. The main driving force has been industrialization, the secondary sector having grown at an average yearly rate of 11 per cent in constant prices, as against 3 per cent only for the agricultural sector. As a result, the share of industry in the social product rose from 20 to 40 per cent between 1950 and 1970, while that of agriculture fell from 41 to 23 per cent. National income per head rose from US.\$160 to US.\$750 during that same period.

Industrialization has created a considerable number of jobs and thus made possible the absorption into the economy not only of the natural growth of the active non-agricultural population, but also of about a million agricultural workers. As a result, the distribution of the active population has undergone a profound change, as shown in Table 1.

Table 1. Structure of the active population by sector in per cent

	1950	1970
Primary	78	52
Secondary	13	25
Tertiary	9	23
Total	100	100

The role of the various factors of economic growth has also undergone a gradual change. Whereas in the initial phase, the increase in productivity accounted for only 40 per cent of the growth of the social product, it now accounts for 70 per cent, while the part played by employment has decreased from 60 to 30 per cent. However, even now, the country is unable to provide employment for all its population of working age, and unemployment as well as under-employment in agriculture still present a crucial problem. It may be added, in this connexion, that 35 per cent of the active population live in the less-developed regions.



2. Development of the educational system and expenditure

The growth of enrolments at all levels and of expenditure on education has been remarkable. In 1970, 2,800,000 pupils were enrolled in primary education, 669,000 pupils in secondary education, and 132,000 full-time students in higher education. In comparison with the academic year 1938/39, these figures represent increases of 79 per cent, 188 per cent and 641 per cent respectively. In addition, each year 540,000 adults followed study courses without interruption of their gainful employment, 80,000 of them being part-time students in higher education. As a result, the number of teachers has had to be more than doubled, passing from 105,000 in 1956 to 223,000 in 1970. Taking the population of the age group 5-24 as a whole, the enrolments rose from 33.4 per cent in 1950 to 55.8 per cent in 1965.

But while much has been achieved in purely quantitative terms, much still remains to be done with regard to quality, particularly as regards efficiency. For instance, only 60 per cent of each age group complete primary schooling successfully within the set period, and every year, about 10 per cent of pupils in primary schools repeat. The situation is not very much different in secondary schools and in higher education. To cope with this situation, the new objectives set for education place the main emphasis on improving efficiency, more particularly, by modernizing techniques and rationalizing expenditures.

The rise in resources allocated to current expenditure on education is closely linked to economic growth and to the rise of State expenditure in general. Between 1950 and 1970, the average annual growth rate of expenditure on education amounted to 16 per cent, raising education's share in national income from 2.1 per cent to almost 6 per cent. The ratio of the rise in educational expenditure to the rise in GNP (coefficient of flexibility) was 1.46 during the period 1953-1968.

At the same time, there has been a sharp rise in unit costs at all levels (expressed in current prices). During the period 1956-68, unit costs rose by 863 per cent, 812 per cent and 434 per cent at the primary, secondary and higher levels respectively. At constant prices, total expenditure on education during that period rose by 460 per cent, while the average cost per pupil/student (all levels) rose by 260 per cent. The main factor in the growth of educational expenditure was the rise in unit costs, due largely to improved conditions of education; however, the increase in enrolments was also a factor, particularly during the latter part

of that period. It may be noted that the deterioration of conditions in higher education has resulted in unit costs remaining almost stagnant during the later years.

The share of capital expenditure in total educational expenditure fell from 24.7 per cent in 1957 to 10.4 per cent in 1969, mainly because of the rapid rise of teachers' salaries due to the policy of equalizing the pay of teachers with that of other workers having similar qualifications.

In conclusion, it can be said that there is still a wide gap between the needs of the educational system and the resources allocated to it, in spite of the very great efforts made in the last twenty years. This gap is due mainly to the low income per head of the population, to social needs other than education, to the great demand for education, and also to the relatively low efficiency of the educational system.

### 3. Development of the financing system between 1950 and 1966

The system of financing education underwent a profound change during the period 1950-1966.

The system operating between 1950 and 1956 was characterized by traditional budgetary distribution, although there was even then a certain degree of decentralization of resources for education. Most of the funds came from the budgets of socio-political communities, primary and secondary schools being financed by communes and/or districts, and higher education by the constituent republics. The assemblies of the socio-political communities took their decisions in the light of the applications submitted by the teaching establishments, of the increase in enrolments and teaching staff, and of budgetary possibilities. The financial organs of the communities decided on the allocation of funds by type of expenditure, and this distribution could not subsequently be changed. Any funds not used at the end of the year could not be carried over to the following year. In working out the requirements, no allowance was made for the amortization of buildings and equipment. New building was financed from allocations for investment and from the reserve funds of the communities.

The system was far from satisfactory. The lack of criteria in the allocation of resources meant that there were no ways of influencing the efficiency of the schools; another drawback was that the teaching staff played no part in the decisions concerning the use of the funds. In view of these disadvantages, and with the gradual spread of the self-management system to social activities, it was decided to give the schools a certain

degree of independence and to let the teachers play a part in decisions concerning the allocation of resources.

This, together with the introduction of new sources of financing was the leitmotiv of the next five years. School committees were set up in primary and secondary establishments, and councils in the faculties, all of them appointed by the authorities. But they were not mere extensions of the authorities; they took over much of the responsibility for administration at local and regional levels. They were instructed, for instance, to draw up the estimates for the income and expenditure of the teaching establishments under their authority, and could employ their funds as they saw fit. They could also carry over to the next year any funds outstanding at the end of the year. However, the authorities kept their right to approve the funds allocated to each institution.

The budget of the commune, district or republic, remained as the main source of financing, although separate funds were established in enterprises for the financing of various forms of education and professional re-training and advanced training of workers, for scholarships and student loans in secondary and higher education and for the construction and equipment of secondary schools. These funds were supplemental resources for the financing of education; part of them was paid directly to schools which performed given educational services for enterprises and the rest was spent on increasing the capacities of schools and on school equipment. They accounted for 25 per cent of the total investment in education.

Although these changes brought undoubtedly some improvements, the educational system still remained largely dominated by administrative and budgetary procedures. There was an obvious need for more radical changes, and in 1960 the Federal Assembly drew the logical conclusion by voting the educational financing law, which reduced the role of socio-political communities in the financing of education and created new sources of financing. It introduced in the communes and republics school funds financed from various sources, in particular, a 10 per cent levy on total personal income tax which was the only statutory source of income. As income tax represented 15 per cent of incomes as a whole, the school funds got 1.5 per cent of the total of salaries and wages. The law also stipulated that at least 60 per cent of the contributions must go to the school funds of the communes where the contributions were levied. The local communities were free to raise additional resources for school funds from

- (a) the budgetary income of the communes;
- (b) direct charges levied on enterprises;
- (c) additional charges on personal incomes;
- (d) general taxation of private enterprises;
- (e) any donations and other sources.

The republics were given the same powers except those under (c) and (d), while the Federal administration could not levy any other resources, its sole resource being the budget.

The funds thus created became the main source of educational finance, amounting to about 90 per cent of the total resources available for education. The origin of the funds is shown in Table 2.

Table 2. Breakdown of funds by source (in per cent)

Source	1961	1962	1963
Through school funds			
Budgets of communes and republics	89.2	87.0	89.3
Personal income tax	69.5	66.5	65.4
Additional charges levied on personal incomes	16.8	15.3	17.0
General taxation of the income of private enterprises	1.6	3.6	5.9
Other sources: donations, interest, etc.	1.3	1.6	1.0
	10.8	13.0	10.7

As can be seen, the budgets of communes and republics are by far the most important source, but, while the statutory share of income tax has remained generally stable, the additional charges levied on personal incomes increased appreciably.

Enterprises were also encouraged to participate, and from 1962 onwards, they were allowed to use their contribution directly and to allocate it to different types of education, formal or informal. A maximum of 1 per cent of the total income of enterprises could be used for expenditure on educational equipment, and this was deductible from the taxable income. In 1964, the maximum was increased to 2.5 per cent. Enterprises could also provide educational establishments with equipment for workshops, laboratories etc. As a result, the share of enterprises in the total resources available for education increased from 10.7 per cent in 1963 to 14.0 per cent in 1964.

In addition, school funds and investment funds of teaching establishments became the predominant source for financing capital expenditure, as shown in Table 3.

Table 3. Sources of capital financing (in per cent)

Source	1961	1962	1963	1964
Budgets		6.6	4.4	4.2
School funds		59.3	51.7	51.2
Funds for social investment		1.9	0.9	2.0
Funds for buildings	5.4	0.1	-	-
Investment funds of educational establishments	5.4	26.8	31.2	32.3
Economic enterprises	0.7	1.6	2.3	0.4
Other sources (1)	0.7	3.7	9.5	9.9

- (1) These mainly consist of direct contributions by individuals. In the communes, citizens' assemblies can decide to levy additional contributions from their income (generally from 1 to 3 per cent) to build and equip schools. In some communes, the funds raised in this way sometimes represent 50 per cent of resources for investment.

During the same period, there were marked changes in the conditions of teachers, especially with regard to salaries, recruitment and promotion which were previously subject to the rules and regulations of the Civil Service. Teachers were given more professional rights, but were still unable to exert any real influence on the working conditions in educational establishments and on decisions relating to the level of resources allocated to these establishments. In all these respects, the communities and republics continued to play the predominant role.

The result of this decentralization was an increase in the burden which the communes had to bear. But some communes were wealthier than others, and the Federal subsidies were insufficient to equalize conditions in the various regions. Consequently, there was a tendency in the poorer communes to open schools which did not require large resources, and in some cases schools had to be shut down through lack of funds. In addition, the fact that the development of educational establishments depended on territorial communities led to the creation of a network of schools that was mainly dependent on regional conditions and did not necessarily conform to criteria of economy. There was a clear need for further changes in the system.

## II. THE NEW FINANCING SYSTEM

### 1. The new legislation on educational financing

In July 1966, the Federal Assembly passed the 'General law on financing education'. Based on the concept that the policy for developing education and the policy for financing and allocating resources to it must be compatible, this law lays down the principles which are to govern the obtaining of resources, while leaving to the republics the decisions on the practical application of the law. The law also provides for the creation of 'educational communities', constituted by educational institutions and labour organizations in the economic and social spheres. Each establishment must submit its own application to the educational community, draw up a contract with it, and discuss directly the level of the allocation it desires.

A basic concept in the relationship between educational institutions and educational communities is the so-called 'price of education', which covers the resources necessary for

- staff salaries, including social security and other overheads,
- expenditure on supplies and equipment, including amortization,
- capital expenditure, including amortization,
- modernization of instruction and introduction of innovations,
- research, and
- the cost of subsistence of pupils or students.

The purpose of the reform is to determine the price structure of education, to relate the salaries to the work performed and the results achieved, and to give the teachers some real influence over their working conditions. It aims at ensuring the independence of teachers' organizations in educational institutions and at equalizing their salaries and working conditions with those of other workers having comparable qualifications. At the same time, the institutions which finance education are given the means of influencing its quantitative and qualitative aspects. Another purpose of the reform is to eliminate red tape in the form of administrative and budgetary channels.

2. The educational communities

The educational communities represent a new kind of self-management in the field of education. They cover either a given geographical area, such as one or more communes, a region or a republic, or one or several branches of economic and social activity. A number of enterprises can also form an educational community by drawing up a contract with an educational institution. While territorial communities are best suited to pre-school, primary and general secondary education, communities based on economic criteria are best suited to technical and higher education.

The educational communities determine the modifications to be made during the medium-term period in the number and location of educational institutions within their territory in order to allow for the expected economic and social development and the changes in the structure of education. The educational communities are assisted in drawing up this programme by regional, republican and federal institutions for educational research and development and also by local chambers of commerce.

Meetings of the representatives of the educational communities are arranged by the republics and there are proposals for setting up an inter-republican committee which will co-ordinate policies, particularly with reference to the introduction of educational innovations and the organization of research work.

In two republics, all secondary schools and institutes of higher education are financed directly by the republican educational communities. In the remaining four republics, only some specialised secondary schools and the institutions of higher education are financed by the republican educational communities; the majority of secondary schools (and all primary schools) are financed by the local educational communities of the communes and towns. In these latter cases, however, co-ordinating committees covering the whole republic have been set up for secondary education (according to the type of school - general, secondary, technical secondary, etc.) and these committees play an important part in planning the development of secondary education.

The task of the educational community is to manage the financial resources, allocate them to each type of activity and expenditure, determine the individual salaries in accordance with the work performed, set the terms for loans and scholarships, and, in general, to deal with the main aspects of education. In the more developed regions, the educational



communities have often assumed new responsibilities, such as setting up schools, modifying the school network, and guaranteeing bank loans given to schools. The communities also participate in educational research and development projects.

These tasks are carried out by the communities through the media of the assembly and the executive committee. The assembly, which is the supreme organ, consists of delegates from the educational institutions (about 60 per cent), representatives of the workers (25 per cent), representatives of socio-political and other groups, and citizens appointed by the general assembly of the community. Decisions and deliberations and negotiations of the community are open to the public.

The communities of the regions and republics provide additional financing for primary education, while supporting higher education, special schools, language schools for national minorities, and certain special secondary schools. In certain republics, in particular, Slovenia and Croatia, they are responsible for all vocational secondary education, in which case they are divided into sections by branch of economic activity. Each section draws up the job descriptions and requirements for qualified staff, makes proposals for extending the school system, estimates the resources required, drafts the agreements with the establishments, allocates funds to them etc. The community has also committees for vocational and higher education which, in collaboration with the sections, set the objectives and policies for each level of education and submit them for approval to the community.

The following are the sources of financing of the communities (at communal or inter-communal levels):

- taxes on personal income allotted to education (depending on the level of development of the regions, these amount to between 3.5 and 6 per cent of total personal income);
- a share of the general income tax on the private sector (agriculture, the craft trades, etc.);
- a share of the tax on retail sales of goods and services;
- an allocation from the budgets of communes or republics;
- voluntary contributions from enterprises;
- voluntary contributions from citizens (see note in Table 3).

The first two sources account for most of the financing; taxes on salaries represent about 70 per cent of the income of the communities, and income tax on the private sector, 10 per cent. The share of direct budget allocation is only 10 per cent under this new system, and that of the



enterprises about 6 per cent. In certain republics, the share of compulsory resources in the total is gradually diminishing: for instance, it has dropped to 60 per cent in Slovenia. This point is worth noting, since it is one of the objectives of the system.

In the educational communities of the republics, contributions from income tax represent from 0.7<sup>o</sup> to 3 per cent of total personal income. In addition, about 50 per cent of resources come from taxes on retail sales and on the private sector. In certain cases, the community is also allocated the part of the Federal tax on turnover which is at the disposal of the individual republics. Lastly, with a redistribution and equalization, the Federation grants subsidies to the less developed regions. The most impoverished communes pay no taxes to their republic, the latter allocating them additional resources to increase enrolments on their territory.

Generally speaking, the resources of the educational communities of the republics amount to 25 per cent of the total income of all the educational communities, but if the subsidies to the less developed areas are taken into account, this share drops to 18 per cent.

The other facilities enjoyed by the educational communities are:

- the possibility of low-interest, long-term bank loans for erecting school buildings and modernising education;
- the provision that each new proposal for the construction of industrial buildings (factories, mines, etc.) must include the availability of financial resources for the eventual further education and retraining of the workers to be employed on the premises;
- exemption from federal taxation on turnover (1) for all purchases of school equipment (including television, equipment for programmed learning, computers, etc.), which represents an abatement of about 25 per cent.

### 3. Criteria and techniques for the distribution of funds

The communities distribute funds to the schools according to their resources and the results obtained by each establishment. The amounts are defined by a contract which lays down, in particular, the criteria adopted for evaluating the results. For funds to be allocated, an accurate

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(1) As well as local taxes.

and comprehensive programme of work, as well as a description of the teaching body and conditions of instruction have to be given.

Each establishment draws up its own budget on the basis of the standards to be reached at each level of education. A preliminary forecast is made before the contract is signed, and the final balance sheet is drawn up on the basis of the results obtained.

The contracts relate mainly to the type of education, the 'price of education', how this is to be 'paid', and the techniques for evaluating results. They may cover one or several years; in the latter case, a clause must specify the terms and conditions for a possible revision of costs linked to the rise in prices and/or to any extension of activities.

In appraising and evaluating the activities of an establishment, the community takes the following factors into account:

- the necessary resources for simply maintaining activity at the current level (routine expenditures for equipment and provision for depreciation);
- the resources needed to pay the staff (including leave, meals, accommodation, cost of professional advancement, etc.);
- the cost of meeting legal obligations (income tax, tax on turnover, miscellaneous interest, etc.);
- resources to extend the material basis for education (reserve fund, etc.).

In practice, however, the resources available may prove insufficient. Salaries are the main item, and the efforts made to equalize the pay of teachers with that of workers of similar qualification in other branches have forced certain communes to reduce the resources available for other items of expenditure.

It should be noted that schools can obtain finance from sources other than the educational community, enterprises, for instance. This does not affect the community's decisions, provided the additional activities financed in this way do not affect the quality of those covered under the contract with the establishment.

In certain institutions or regions, a great many pupils come from other regions. As the current system of financing is based on the territorial accretion of resources, a sharing process has been worked out, whereby the communities from which the pupils originate must pay the host communities the corresponding share of expenditure.

It is the educational community which determines the priorities for the allocation of financial resources. This involves decisions affecting such aspects as the number of pupils to be enrolled in schools, the number of teachers required, the opening of new departments or streams in existing schools, and the introduction of new educational methods and technologies. In addition, the educational community, in conjunction with research and development institutions, evaluates the work of the schools, determines the efficiency of teaching methods and identifies the problems of the teachers. In this way, the educational community analyses the results of its policy and is able to make the necessary changes in the distribution of resources in order to increase the return from the financial investment in education.

What is needed is for a union of educational communities to be set up which would make overall policy decisions on all levels of education (except first level) and would give greater emphasis to the importance of professional and technical education.

#### 4. Distribution of funds within educational institutions

This is arranged on the basis of results, and there is no salary scale laid down by the State. However, this principle is very often inapplicable owing to the limited resources and the fact that the 'price of education' is not fully covered.

The allocation of funds to pay teachers and the breakdown of salaries are conceived so as to improve the quality of work and to make it more rational and efficient. The criteria used for determining salaries are the type of work, qualification, experience, results, etc. A rating is set for each element, and the total rating determines the remuneration. This consists of a fixed part and a variable part which may amount to between 5 and 15 per cent of the total, depending on the results obtained by the teacher from his pupils. Two or three times a year, an elected committee meets to evaluate the results obtained by the teachers. The members of the committee are rotated in such a way that, after two or three years, each member of the community has been able to evaluate the work of his colleagues. The deliberations of the committee are public.

The evaluation is based on various criteria; timetables, indicators of the individual results of the pupils, tests run by a special pedagogical service, observations of the school principal and education inspectors, participation by the teacher in the extra-mural activities of pupils etc.

This system tends to encourage teachers, particularly since, at the end of the school year, the community allocates additional resources (which can amount up to 10 per cent of the total income of the school) according to the results obtained.

However, this method of distribution raises certain objections on the part of the teachers, who point to the complexity of the educational process and the fact that results obtained by pupils often depend on factors which are outside the school's control. In certain schools where most teachers are of this opinion, remuneration is worked out on the basis of more conventional criteria. Furthermore, the mass of information and the considerable work required to make the evaluation cause certain principals to be against the system.

#### 5. Financing of education in the less-developed regions

A fund for granting loans to the less-developed areas in order to foster their economic growth was set up by the Federal government. Part of these resources may be allocated to education, in particular, for building schools and training the supervisory staff needed for the development projects financed by the fund.

The resources originate from the republics, which contribute in proportion to their gross social product (GSP). For the period up to 1975, the rate is set at 1.94 per cent of the GSP of the socialised sector of the economy.

Another form of assistance consists of federal subsidies for financing social activities, one of the most important of which is education. Each republic is free to use this subsidy to satisfy its most urgent needs. In general, the legislation of the republics stipulates the share allocated to education (at least 33 per cent in Montenegro and 20 per cent in Bosnia-Herzegovina).

Table 5. Federal subsidies for social activities

(in millions of dinars)

	1968	1969	1970
Socialist republic of Bosnia-Herzegovina	408.0	457.7	502.7
Socialist republic of Montenegro	111.0	124.0	126.0
Socialist republic of Macedonia	199.7	222.7	243.9
Autonomous socialist region of Kosovo	275.9	312.3	346.9
Total	994.6	1 116.7	1 219.5

It should be added that the financing system provides for greater participation from the socio-political communities when other resources are inadequate.

Table 6. Share of the communes and republics in financing education in the less-developed regions

	1968	1969	1970
Yugoslavia	11.3	10.7	10.2
Bosnia-Herzegovina	19.2	17.7	19.5
Montenegro	24.6	27.3	30.4
Macedonia	13.7	11.8	12.0
Kosovo	61.8	63.2	37.7

Yet another form of aid to education consists of additional subsidies from the republics to the communes. Territorially-based educational communities are legally empowered, under certain conditions (1), to receive additional resources from their republic if their income is insufficient to ensure optimum development of education. The amount of the subsidy granted under this heading is determined by the educational community of the republic. The starting point in evaluating it is the minimum education prescribed by law. Owing to the great diversity in the make-up of schools, several factors must be allowed for. For instance, in the Serbian republic, primary schools are divided into seven categories depending on the number of classes, pupils, etc. For each type of school, the strength and structure of the teaching body is determined, and the salaries are evaluated on the basis of qualifications.

In Croatia, the system operates differently. There the republic community for primary education has a 'solidarity fund' which subsidizes the less-developed regions. Contributions to the fund are set for each commune according to its economic potential.

However, it should be noted that material conditions preclude granting the less-developed regions the resources which would enable them to meet their estimated needs.

(1) In particular, the stipulations concerning compulsory income of the communities must be fulfilled.

Table 7. Share of additional resources in the total of educational costs

	Yugoslavia	Bosnia-Herzegovina	Montenegro	Macedonia	Kosovo
<u>1967</u>					
Total resources in million dinars	3 557	517	108	264	201
Additional resources allocated by educational communities in million dinars - as a percentage	287 8.1	30 5.7	17 15.6	9 3.3	78 38.6
<u>1968</u>					
Total resources in million dinars	4 287	608	116	300	229
Additional resources allocated by educational communities in million dinars - as a percentage	474 11.0	50 8.2	25 21.5	10 3.3	101 44.1
<u>1969</u>					
Total resources in million dinars	5 172	758	151	392	263
Additional resources allocated by educational communities in million dinars - as a percentage	564 10.9	68 9.0	39 25.8	13 3.3	132 50.2

Lastly, there are the special subsidies granted to all communes (1) containing national minorities, to allow for the additional costs due to linguistic problems.

(1) Regardless of their level of resources.

If we consider the solutions adopted to allocate additional resources to the less-developed regions, we see that they are based on the level of development of the school networks, numbers of pupils and students, enrolment ratios and the requirements stated by educational establishments. One of the disadvantages of this system is, perhaps, that it does not sufficiently stimulate the various regions to allocate enough from their own resources. Since the economic potential is taken into account when granting subsidies, it has been suggested that national income be taken as a possible indicator for this purpose.

Table 7 shows the importance of the aid granted to the education communities of the less-developed regions.

### III. APPRAISAL OF THE NEW FINANCING SYSTEM

The foregoing account shows the systematic search for solutions enabling education to develop faster and to be more intimately integrated into social activities as a whole, while being freed from certain budgetary constraints. In this sense, the new financing system is merely a stage in a continuous process. It is not easy to appraise the effects of this new system, since it does not make a clean break with the past. However, we shall attempt to bring to light some of its qualitative and quantitative aspects.

#### 1. Quantitative appraisal

In the first place, the increase in resources allocated to education should be related to certain indicators. Table 8 shows the growth of national income and its pattern of distribution.

Table 8. Average yearly growth rate of national income and its distribution 1966-1970 in per cent at constant prices

1. Total net available resources		
2. National income		7.8
3. Standard of living		5.9
3.1 Personal consumption		7.4
3.2 Social expenditure	6.9	
4. Savings	9.7	
5. General expenditure (national defence, Civil Service)		3.4
		4.8

Quite clearly, the growth of social expenditure, for education, in particular, was well above that of national income and of total net available resources.

It may be added that total expenditure on education over the period 1966-1970 almost doubled, rising from 3,970 million dinars in 1966 to 7,400 million dinars in 1970, in which year it accounted for almost 6 per cent of national income. In this connexion, it is interesting to analyse the growth of expenditure on education by function (see Figure 1) which is the outcome not only of the increase in enrolments, but also of the rise in unit costs at all levels. However, whereas these tripled in primary education between 1966 and 1970, they less than doubled in secondary education, and rose by only 20 per cent in higher education.

The new financing system has also enabled additional resources to be allocated for scholarships and loans to students. In 1969-1970, over 25 per cent of students were granted loans and 8 per cent received scholarships.



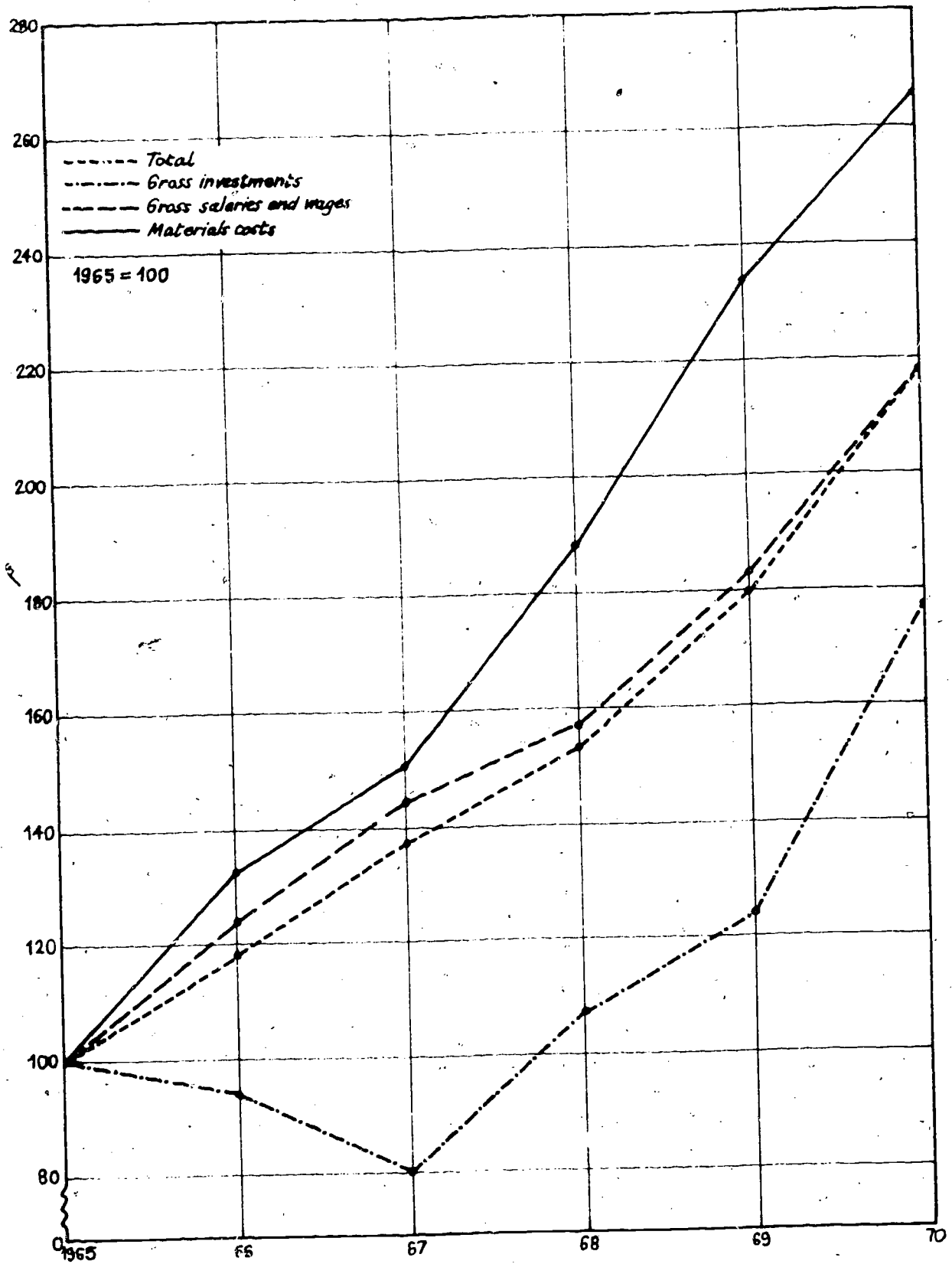


FIGURE 1. Growth of educational expenditure, by function

These loans were financed mainly through contributions from enterprises to the funds of the republics.

2. Qualitative appraisal

One of the most far-reaching effects of the new financing system is the change it has brought about in the concept of the role and place of education in the development of productive forces and the advancement of the individual. Education is today considered a vital and decisive factor in economic growth. Now that its economic function has been recognized, it must be made economically efficient.

The new financing system has created the prerequisites for a radical reform of education by the method of self-management. This reform is the starting point for fundamental changes, pedagogical, socio-economic, political and psychological. The federal resolution lays down the concept of life-long education, dismantles the barriers between formal and informal education, and eliminates the school monopoly of dispensing knowledge, while at the same time creating a whole range of links between the various levels of education. The new system of life-long education has been conceived to ensure equal access to all types and levels of education for both the young and the old, and to provide horizontal and vertical mobility throughout the education system.

Since the new financing system has been brought into effect, the part played by the State and other intermediary bodies in education has decreased, particularly with respect to the position and role of teachers. Teachers have greater independence in deciding their conditions of work, they take all decisions concerning new commitments and appointments of senior staff in the schools, they prepare the financing programme for their school, draw up the contract with the educational community, and decide how their resources are to be allocated and distributed. In institutions of higher education, they are free to decide the content of their syllabuses, while at the primary and secondary levels, they can elaborate and adapt the general syllabuses already drawn up. Lastly, they decide under what conditions their school is to operate (beginning and end of school year, holidays, length of working week, etc.,).

It may be added that, during recent years, the task of teachers has been greatly helped through the introduction of new technologies, which aim at improving the quality of education and increasing efficiency so as to make the best possible use of available resources. Thus television programmes

have been introduced almost everywhere, and the use of programmed learning, films, radio, computers (as aid to education or tools for managing the system) etc. has been either introduced or extended.

As far as enterprises are concerned, the new financing system, by providing enterprises with greater rights and freedom with regard to education, has greatly stimulated their interest in this field. Many enterprises make voluntary contributions of as much as 5 per cent of total wages. One enterprise, for instance, which employs 20,000 workers grants scholarships and loans to 2,000 pupils every year. Moreover, certain enterprises finance vocational training in their own centres and draw up contracts with university faculties with a view to enrolling their future professional staff. Many enterprises have decided to use some of their resources earmarked for education for the educational advancement of their staff. For this purpose, they have pooled their resources and formed communities. These are the nuclei of the future financing system, which will be based on the principle of relating production and work to education and training.

Lastly, the educational communities have succeeded, through their resource allocation policy, in changing the school network, which has enabled them to adapt the training of qualified workers to the needs of the economy and to ensure a better control of the educational system.

## CONCLUSION

The new financing law, which was to be put into effect in late 1971 or early 1972, is in fact a starting point for new changes, not only in the sphere of educational financing, but also in that of economic policy and taxation. In considering the changes to be made, the emphasis should be laid on ways and means which make it possible to:

- ensure that decisions with regard to extending enrolments and providing the necessary resources are taken directly by the citizens;
- match the policy for educational development with the methods of providing the necessary resources;
- bring together teachers and workers with a view to working out the type of education best suited to the current and future needs of society;
- evaluate correctly the economic price of education, so that education can grow at a pace commensurate with that of the other sectors of activity;
- link education and its material basis to the incomes of enterprises and to the social product;
- provide access to education for the young and for the old, regardless of their social position and income.

A distinction will have to be drawn between the financing of compulsory education and the financing of the remainder of the educational system. The amount of resources devoted to elementary education, which is compulsory, will be decided by the citizens either directly, through a referendum, or indirectly, through the medium of the relevant educational communities. The Federal government and the republics must provide any supplementary funds to ensure that compulsory education in the less-developed regions is not at a disadvantage.

As for post-primary education, its development will be decided by the workers from all spheres of activity, without State intervention, either directly or through the medium of self-management organizations. The necessary resources will be made available by the enterprises, since this form of education is closely related to the maintenance and development of their activities. Thus, the allocation of resources to education will be one of the factors to be taken into account when distributing the income of the

enterprises. As a result, the greater part of education will be fed by the same sources as those which determine the other factors of production. The educational communities for the post-primary education system must henceforward be conceived on the principle of output and work, and the calculation of the economic price of education must serve as a basis for providing the resources necessary for developing and maintaining work of high quality.

With the new financing system, the role and responsibilities of the socio-political communities have undergone a complete change. In the past, they determined the development policy for education and the resources necessary to put it into effect. They now act in a co-ordinating capacity and provide the resources, but can no longer intervene at the decision-making level. Thus, their influence must necessarily wane.

In conclusion, one can say that the following developments can be envisaged as a result of the new financing law:

- a better balance between the planning of education and the growth of productive and other activities;
- a closer involvement of teachers in the development of productive and other activities;
- a gradual disappearance of the concept of 'free' education, and also of the concept that each individual has the right to demand anything from the community without regard for economic possibilities and needs;
- the abandonment of the principle of 'territorialization' in favour of equality of educational opportunity;
- the gradual disappearance of the differences in financing education for the young and for adults, since the relevant resources come from the same sources and are levied according to the same principles.

The result of these changes will be not only an increase in the resources devoted to education, but also a more intimate relationship between education, on the one hand, and social and economic activities, on the other.